

# **PROPOSED AMENDMENT – UNOFFICIAL NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

## **REMARKS**

### Summary of the Invention

Privately held companies typically launch a public stock offering, called an “initial public offering” (or “IPO”), to raise needed capital to expand their businesses. Traditionally, the company mounting the IPO sets an initial price (the “IPO price”) at which the stock will be offered to the public. Oftentimes, however, the price at which the shares trade on the open market after the initial offering greatly exceeds the IPO price. The offering company, however, does not realize the additional capital associated with the enhanced share price of its stock. Rather, the capital raised by the offering company is limited to the number of shares offered at the IPO price (less the underwriter discount) during the subscription stage of the offering. The difference between the aggregate value of the shares after the IPO and the capital raised by the offering company is commonly referred to as “money left on the table”, because it represents additional money the company could have raised if the IPO price had better reflected the market demand for the stock.

The present invention presents a solution to this dilemma. According to embodiments of the present invention, the shares offered by the issuing company as part of the IPO are issued in a number (two or more) of serial stages. As such, one offering (e.g., an IPO) with the method of the present invention is conducted over a series of stages. For example, a first portion is offered by the company in the first stage. Then, after a “predetermined and predisclosed” trading interval, the second stage commences, wherein the company issues a second portion of the shares to be offered as part of the IPO, and so on. The trading interval may be, for example, a number of hours, a number of days, etc. (limited, however, by regulatory constraints which may require the company to issue a revised offering prospectus if the trading interval is too long).

# **PROPOSED AMENDMENT – UNOFFICIAL NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

The offering price of the shares offered by the company in the second stage may not be the same as the offering price for the shares in the first stage. For example, the offering price for the second stage may be equal to the closing price at the end of the trading interval between the first and second stages. In that way, the amount of money left on the table by the issuing company may be reduced. For example, suppose an issuing company plans to issue 10,000,000 shares of its stock to the public in an IPO. With the present invention, it could, for example, issue 5,000,000 in the first stage and issue 5,000,000 in the second stage one day later. If the offering price for the first stage was \$10 and the closing price at the end of the first day was \$20, the issuing company would collect \$150,000,000 in total proceeds from the two offering stages (computed as \$10/share times 5,000,000 shares for Stage 1 and \$20/share times 5,000,000 shares for Stage 2). In contrast, using conventional IPO structures, the issuing company would only collect \$100,000,000 (computed as \$10/share times 10,000,000 shares). More than two stages could also be used. Also, other ways of the determining the offering price for the subsequent stages may be used.

Importantly, the particulars of the serially staged offering may be disclosed beforehand (e.g., before commencement of the first offering stage) by the issuer so that investors are apprised of the offering structure. This disclosure includes, for example, (1) the number of stages, (2) the time period between each stage, (3) the number of shares issued at each stage, (4) the offering price or the method of determining the offering price for the first stage, and (5) how the offering price for the subsequent stages will be determined.

# **PROPOSED AMENDMENT – UNOFFICIAL NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

## Section 112, ¶ 1 Rejections

Claims 1-26 were rejected under 35 U.S.C. § 112, ¶ 1 because the claims, according to the Office, contain subject matter which is not described in such a way as to reasonably convey to one skilled in the relevant art that the inventor, at the time the application was filed, had possession of claimed invention. Specifically, the Office states that the word “initial” in the claims “does not have support in the original specification and claims...” Office Action, ¶ 2, p.2.

An applicant shows possession of the claimed invention by describing the claimed invention with all of its limitations using such descriptive means as words, structures, figures, diagrams and formulas that fully set forth the claimed invention. *See* MPEP § 2163.02. Moreover, there is no *in haec verba* requirement for the claim language. *See* MPEP § 2163. In this case, it is clear from a reading of the specification that the inventor possessed the aspect of the invention that the public offering of the company’s stock could be an *initial* public offering.

First, the specification describes the invention as a solution to the underpricing problem associated with IPOs. *See e.g.*, specification, p. 5, lines 6-8 (“The stock offering methods of the present invention represent an advancement over prior *IPO* models because they reduce the amount of money left on the table by the offering company.”)(emphasis added); p. 8, lines 15-17 (“The method 8 of the present invention provides an advantage over the *traditional IPO* method and the Dutch auction method because it reduces the amount of money left on the table for the offering company.”) (emphasis added). Thus, it would be clear to a person skilled in the art that the invention could be used for an initial public offering.

Second, there is even *explicit* support in the specification for the notion that the invention could be used as part of an initial public offering. For example, at p. 13, lines 14-15, the company performing the method of the invention is described as “the company *launching the*

**PROPOSED AMENDMENT – UNOFFICIAL  
NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

*IPO...*” Similarly, at page 13, lines 19-20, an embodiment of the offering is described where the first mentioned step is listed as “the company *lauching the IPO* disclosing...” Persons of skill in the art pertaining to the present invention know that the “I” in “IPO” is short for “initial.” Indeed, the present application makes that point at page 1, line 15-16. Thus, the specification, including the above-mentioned passages, would convey to a person of reasonable skill in the art that the inventor possessed the claimed invention at the time the application was filed. About this there can be no question.

Accordingly, applicant submits that claims 1-26 satisfy 35 U.S.C. § 112, ¶ 1, as is, without further amendment. Therefore, the rejection should be withdrawn.

Section 112, ¶ 2 Rejections

In addition, each of the pending claims 1-26 were rejected under 35 U.S.C. § 112, ¶ 2 as being indefinite for failing to particularly point out and distinctly claim the subject matter regarded as the invention. Specifically, the Office indicates that the term “initial” in “initial public offering” is unclear and creates confusion since, according to the claims, the offering occurs in multiple stages.

As described above, in the present invention, a single offering (e.g., an initial public offering) occurs in multiple stages. Each stage is part of the single offering. What makes the invention different from the usual situation of an initial public offering followed by, at some later time, a follow-on offering, is that the particulars of each stage is disclosed upfront. That is, in the present invention, as set forth in claim 1 for example, there is a “predetermined and predisclosed time period” between the first stage and the second stage. That way, before the offering of the first portion of the shares, the interested investors will know exactly when the

**PROPOSED AMENDMENT – UNOFFICAL  
NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

second tranch of shares will be offered. The initial disclosure also includes the number of shares to be offered in each stage and the pricing mechanism for the second stage (i.e., how the price of the shares offered in the second stage will be determined). In that way, *before* the first offering stage commences, the investors will know (i) how many shares are offered in each stage, (ii) the time interval between the stages, and (iii) how the price of the shares offered in the second stage will be determined. This is unlike secondary or follow-on offerings, and, for that reason, a person skill in the art would understand the subject matter regarded as the invention.

In the present invention and claims, the phrase “initial public offering” is used in accordance with its ordinary and accustomed meaning, that is, when a privately-held company issues share of its company to the public. Except that in the claimed invention, the IPO comprises multiple stages. This is made clear by the language of claim 1 (and claim 15, the other independent claim). The claim clearly states that the initial public offering occurs in (at least) two stages. One offering comprising multiple stages. As such, the term “initial” would not cause confusion to a person skilled in the art because they would understand from reading the claims, especially in light of the specification. Thus, applicant submits that claims 1-26, satisfy the threshold requirements of clarity and precision. Accordingly, the § 112, ¶ 2 rejection should be withdrawn.

Section 103 Rejection based on Macklin

Claims 1-26 were rejected as being obvious over Macklin. The Office previously rejected the claims as obvious over Macklin. When the applicant appealed this rejection, the Office withdrew the rejection without allowing it to be heard by the Board. In light the prior rescission of the Macklin obviousness rejection, the Office is estopped from reasserting that the

# **PROPOSED AMENDMENT – UNOFFICIAL NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

claims are obvious over Macklin. See MPEP § 1208.02 (examiner may only reopen prosecution to enter a *new ground* of rejection after appellant's brief or reply brief has been filed). Since the Office has previously withdrawn the Macklin obviousness rejection after appellant's brief was filed to reopen prosecution, only new grounds for rejection can be used in the now reopened prosecution. For this reason alone, the Macklin obviousness rejection should be withdrawn.

Furthermore, the Macklin §103 rejection should be withdrawn because the Macklin reference does not teach or suggest all of the limitations of the claims. See MPEP § 2143.03 ("To establish *prima facie* obviousness of a claimed invention, all the claim limitations must be taught or suggested by the prior art.") Macklin teaches a primary offering (or IPO) where shares of a privately held company are offered to public investors. This is the conventional IPO technique. Macklin, however, fails to teach or suggest an IPO offering structure having two serial stages, where the second stage commences a "first trading interval" after the first stage, and where the "first trading interval" is of a "predetermined and predisclosed" length. Also, Macklin does not disclose that the pricing procedure for shares issued in the second (and subsequent) offering stage is disclosed prior to the first offering stage.

The Office erroneously says, at page 5 of the Office Action, that these features of the independent claims (claims 1 and 15) are taught in the second paragraph of page 103 of the Macklin reference. This paragraph of Macklin discusses a "seasoning strategy." As explained in applicant's appeal brief, this portion of the Macklin reference fails to teach or suggest all of the limitations of the independent claims for the following reasons:

- *First*, the follow-on offering discussed in Macklin is not part of an initial public offering, as required by claim 1. Rather, it is a second offering after the company has already become public. Indeed, the cited paragraph talks about "structuring"

## PROPOSED AMENDMENT – UNOFFICIAL NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY

the follow-on offering once the IPO has been completed. *See* Macklin at 103. In addition, in the example given in the Macklin reference, Macklin states that Octel Communications Corporation “*completed* the first technology IPO” and then subsequently “*completed* a follow-on offering.” *Id.* (emphasis added). In other words, Macklin makes clear that the so-called follow-on offering is performed after the IPO is *completed*. Thus, Applicant submits it is clear from the Macklin reference that the follow-on offering referred to in Macklin is not part of an IPO.

- ***Second***, even assuming that the follow-on offering in Macklin constitutes the second offering in claim 1 (an assumption to which the applicant does not agree, as stated above), Macklin does not disclose that the second offering occurs a *predetermined and predisclosed* time period (i.e., the “first trading interval”) after the first offering, as recited in claim 1. Indeed, Macklin gives no indication and, therefore, fails to teach or suggest that potential investors are apprised of the timing of the follow-on offering prior to the initial offering in the Macklin “seasoning strategy.” This notice feature is simply not discussed in or contemplated by Macklin. Indeed, the Office does even attempt to point out where the “predetermined and predisclosed” trading interval is even discussed in Macklin.

- ***Third***, as mentioned above, Macklin does not disclose that the pricing procedure for the shares issued in the second (and subsequent) offering stages is disclosed prior to the first offering stage. Macklin is utterly silent in this regard.

**PROPOSED AMENDMENT – UNOFFICIAL  
NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

Therefore, Macklin does not teach or suggest all of the features of independent claims 1 and 15 of the present application. Consequently, the §103 Macklin rejection should be withdrawn.

The Office is reminded that in responding to this response that the mere fact that a reference can be modified does not render the resultant modification obvious unless the prior art also suggests the desirability of the modification. See MPEP §2143.01. Thus, the Office in response must show a teaching in the prior art of the desirability of having a multi-stage offering where the trading interval between the stages is predetermined and predisclosed, or else the Office must allow the claims. Also, the Office is reminded that hindsight based on applicant's disclosure is impermissible in determining whether the claims are obvious. See MPEP §2142.

In that connection, the "prior art made of record and not relied upon" cited in the Office Action (see page 11) actually demonstrates the nonobviousness of the claimed invention. Each of these six (6) cited references describes the under pricing-problem with IPOs, but only one – U.S. Pat. 6,629,082 to Hambrecht -- offers a solution. And the solution offered in the Hambrecht patent is merely to automate the centuries-old Dutch auction model in the context of an IPO. If this solution is worthy of a patent, so is the solution of the present invention. Note also that the present application, as originally filed, discusses using the Hambrecht method (or the openipo.com or "Dutch auction" method) as one of the methods which may be used to price various stages of the serial offering.

Applicant is not otherwise conceding the correctness of the rejections with respect to any of the dependent claims in the application and hereby reserves the right to make additional arguments as may be necessary because additional features of the claims further distinguish the claims from the cited references, taken alone or in combination. A detailed discussion of these



**PROPOSED AMENDMENT – UNOFFICAL  
NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

differences is believed to be unnecessary at this time in view of the basic differences in the independent claims pointed out above.

New Claims

Applicant has also herein added new claims 27-33. New independent method claim 27 does not use the word “initial.” Therefore, the § 112 rejections mentioned in the Office Action are moot with respect to these claims. Further, for the reasons discussed above, claim 27 is not obvious in view of Macklin because Macklin does not teach or suggest a multi-stage offering wherein prior to the first stage, the following is disclosed: (1) the number of shares to be offered in the offering; (2) that the offering will occur in at least first and second offering stages; (3) the number of shares to be offered in each of the first and second offering stage; (4) the amount of time of a trading interval between the first and second offering stages, and 5) the procedure by which the shares will be priced in each of the stages (e.g., traditional IPO pricing, Dutch auction, direct public offering).

Conclusion

In view of the above, Applicant respectfully requests withdrawal of the rejections and allowance of the claims. If the Examiner is of the opinion that the instant application is in condition for disposition other than allowance, the Examiner is respectfully requested to the

**PROPOSED AMENDMENT – UNOFFICAL  
NOT FOR FILING – FOR DISCUSSION PURPOSES ONLY**

undersigned attorney at the telephone number listed below in order that the Examiner's concerns may be expeditiously addressed.

Respectfully submitted,

Date:

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